

**ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE**

March 8, 2021

1:29 p.m.

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Roger Holland, Vice Chair
Senator Joshua Revak
Senator Gary Stevens
Senator Elvi Gray-Jackson

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CONFIRMATION HEARING(S)

Board of Barbers & Hairdressers
Connie Dougherty - Anchorage
Tina Taylor - Soldotna
Khitsana Sypakanphay - Anchorage

- CONFIRMATIONS ADVANCED

SENATE BILL NO. 27

"An Act relating to industrial hemp; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 87

"An Act relating to credit for reinsurance; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 27

SHORT TITLE: INDUSTRIAL HEMP PROGRAM;MANUFACTURING

SPONSOR(s): SENATOR(s) HUGHES

01/22/21 (S) PREFILE RELEASED 1/8/21
01/22/21 (S) READ THE FIRST TIME - REFERRALS
01/22/21 (S) L&C, RES
03/08/21 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 87

SHORT TITLE: REINSURANCE; CREDITS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/22/21 (S) READ THE FIRST TIME - REFERRALS
02/22/21 (S) L&C
03/08/21 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

KHITSANA SYPAKANPHAY, Appointee

Board of Barbers & Hairdressers

Department of Commerce, Community and Economic Development

Anchorage, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Barbers and Hairdressers.

CONNIE DOUGHERTY, Appointee

Board of Barbers and Hairdressers

Department of Commerce, Community and Economic Development

Anchorage, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Barbers and Hairdressers.

TINA TAYLOR, Appointee

Board of Barbers and Hairdressers

Department of Commerce, Community and Economic Development

Soldotna, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Barbers and Hairdressers.

BUDDY WHITT, Staff

Senator Shelley Hughes

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Answered questions and presented the sectional analysis for SB 27 on behalf of the sponsor.

SENATOR SHELLEY HUGHES

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 27.

ROB CARTER, Chief Agronomist
Division of Agriculture
Department of Natural Resources (DNR)
Palmer, Alaska

POSITION STATEMENT: Provided information and answered questions related to SB 27.

SARA WILLIAMS, Founder
Hemp for Healthcare
Wasilla, Alaska

POSITION STATEMENT: Testified in support of 99 percent of SB 27.

DAVID SCHADE, Director
Division of Agriculture
Department of Natural Resources (DNR)
Eagle River, Alaska

POSITION STATEMENT: Provided supporting testimony on SB 27

LORI WING-HEIER, Director
Division of Insurance
Department of Commerce, Community, and Economic Development
Juneau, Alaska

POSITION STATEMENT: Introduced SB 87 on behalf of the administration.

ACTION NARRATIVE

[1:29:47 PM](#)

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 1:29 p.m. Present at the call to order were Senators Stevens, Holland, and Chair Costello. Senator Gray-Jackson arrived during introductions. Senator Revak arrived as the meeting was in progress.

CONFIRMATION HEARING(S) **Board of Barbers and Hairdressers**

[1:31:16 PM](#)

CHAIR COSTELLO announced the consideration of Governor Appointees to the Board of Barbers and Hairdressers. She asked each appointee to provide a brief background, their interest in serving on the board, and any challenges the board may be facing coming out of the COVID-19 pandemic and into recovery.

1:32:02 PM

KHITSANA SYPAKANPHAY, Appointee, Board of Barbers & Hairdressers, Department of Commerce, Community and Economic Development, Anchorage, Alaska, stated that she started her career as a licensed hairdresser in 2004 and transitioned to tattooing in 2018. This is parttime work and she works fulltime with Alaska Airlines as a trainer, facilitator, and station support.

CHAIR COSTELLO asked if she had attended any meetings since her appointment in February 2021.

MS. SYPAKANPHAY answered no, but she had reviewed the minutes from a previous meeting.

CHAIR COSTELLO asked if she experienced any challenges working during the COVID-19 pandemic.

MS. SYPAKANPHAY replied she works by herself, and her clients understand and follow the COVID procedures and processes.

CHAIR COSTELLO thanked her for serving.

1:34:49 PM

CHAIR COSTELLO, after discerning that no one wanted to testify, opened and closed public testimony on the appointment of Khitsana Sypakanphay to the Board of Barbers and Hairdressers.

CHAIR COSTELLO asked Connie Dougherty to provide a brief background and her interest in serving on the board.

1:35:09 PM

CONNIE DOUGHERTY, Appointee, Board of Barbers and Hairdressers, Department of Commerce, Community and Economic Development (DCCED), Anchorage, Alaska, stated that she has been a hairdresser in Anchorage since 1988. She spent many years as an educator, teaching advanced techniques to other hairdressers and apprentices. She became interested in serving last year when the board implemented a number of changes that she did not support. She said her hope is to get continuing education into the guidelines for hairdressers, so everyone stays current.

CHAIR COSTELLO asked how many hairdressers, barbers, and tattooist are licensed under this board.

MS. DOUGHERTY said her guestimate is about 14,000.

SENATOR HOLLAND asked what regulations motivated her to apply to serve on the board.

MS. DOUGHERTY replied the one that got the attention of many licensees was the removal of the practical examination prior to licensure. The special license required for braiding also got a lot of negative attention.

[1:38:49 PM](#)

CHAIR COSTELLO opened public testimony on the appointment of Connie Dougherty to the Board of Barbers and Hairdressers; finding none, she closed public testimony.

CHAIR COSTELLO asked Tina Taylor to introduce herself, provide a brief background, and why she was interested in serving on the Board of Barbers and Hairdressers.

[1:39:07 PM](#)

TINA TAYLOR, Appointee, Board of Barbers and Hairdressers, Department of Commerce, Community and Economic Development, Soldotna, Alaska, stated that she has 33 years in the industry as a licensed cosmetologist, stylist, and manicurist. She has also served her community as a Rotarian and school volunteer. She said she was motivated to apply to serve when the board eliminated the practical examination. She said she could be helpful working on the regulations and representing her fellow professionals.

SENATOR STEVENS congratulated her for being involved in Rotary and serving her community.

SENATOR HOLLAND asked her to describe the practical exam.

MS. TAYLOR explained that applicants draw from a hat and must be prepared to teach the aspect of the profession listed on the paper they drew.

[1:43:21 PM](#)

CHAIR COSTELLO opened public testimony on the appointment of Tina Taylor to the Board of Barbers and Hairdressers, and closed it after determining that nobody wished to comment.

In accordance with AS 39.05.080, the Senate Labor and Commerce Standing Committee reviewed the following and recommends the appointments be forwarded to a joint session for consideration:

Board of Barbers & Hairdressers
Connie Dougherty - Anchorage
Tina Taylor - Soldotna
Khitsana Sypakanphay - Anchorage

Signing the reports regarding appointments to boards and commissions in no way reflects individual members' approval or disapproval of the appointees; the nominations are merely forwarded to the full legislature for confirmation or rejection.

[1:43:50 PM](#)

At ease

SB 27-INDUSTRIAL HEMP PROGRAM; MANUFACTURING

[1:46:55 PM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of SENATE BILL NO. 27, "An Act relating to industrial hemp; and providing for an effective date."

She noted that this was the first hearing, and the intention was to hear invited testimony and hold the bill for further consideration.

She noted the friendly amendment and asked for a motion.

[1:47:24 PM](#)

SENATOR HOLLAND moved Amendment 1, work order 32-LS0249\A.1, to SB 27.

32-LS0249\A.1
Dunmire
3/4/21

AMENDMENT 1

OFFERED IN THE SENATE
TO: SB 27

Page 3, following line 8:
Insert a new bill section to read:

"* **Sec. 2.** AS 03.05.010(c) is amended to read:
(c) The commissioner of natural
resources **may** [SHALL] issue a stop order to any

person who is found to be producing a plant product with delta-9-tetrahydrocannabinol over 0.3 percent, regardless of whether the person is registered under AS 03.05.076. The commissioner of natural resources shall notify the Marijuana Control Board and the Department of Public Safety when the commissioner issues a stop order."

Renumber the following bill sections accordingly.

Page 4, line 19:
Delete "Section 7"
Insert "Section 8"

Page 4, line 25:
Delete "sec. 8"
Insert "sec. 9"
Delete "sec. 7"
Insert "sec. 8"

Page 4, line 27:
Delete "sec. 8"
Insert "sec. 9"

CHAIR COSTELLO objected for discussion purposes.

SENATOR HOLLAND explained that the US Department of Agriculture allows a 0.5 percent to 1.0 percent standard of negligence for the levels of delta-9-tetrahydrocannabinol in plant products. This amendment changes the term "shall" to "may" issue a stop order to provide the commissioner of the Department of Natural Resources (DNR) latitude in the seed stock that hemp growers are allowed to purchase.

[1:48:57 PM](#)

CHAIR COSTELLO removed her objection to Amendment 1 to SB 27.

[1:49:18 PM](#)

SENATOR STEVENS objected to say he thought there was no connection between marijuana and hemp, yet the amendment talks about notifying the Marijuana Control Board.

[1:49:29 PM](#)

BUDDY WHITT, Staff, Senator Shelley Hughes, sponsor, Alaska State Legislature, Juneau, Alaska, explained that hemp and marijuana are both the same species but the small amount of THC in hemp is not an intoxicant. The amendment gives the Division

of Agriculture the latitude to allow a hemp grower who is acting in good faith the opportunity to recondition their crop if the THC level tests above the allowed limit.

MR. WHITT advised that the existing language, which was added to Senate Bill 6, is prohibitive. The department must issue a stop order if the crop tests above the allowed limit and send their name to the Marijuana Control Board and the Department of Public Safety. The amendment allows the division more latitude in managing the program. He said the sponsor believes this is a middle ground on the path towards a long-lasting program. He deferred further explanation to Rob Carter.

SENATOR STEVENS remarked that one would have to smoke a lot of industrial hemp to have any affect.

SENATOR HOLLAND advised that hemp is used to make products such as hemp-concrete and animal food stock. It has just a fraction of the active ingredient found in marijuana.

[1:52:14 PM](#)

SENATOR SHELLEY HUGHES, Alaska State Legislature, Juneau, Alaska, sponsor of SB 27, added that reconditioning a crop by mixing seed with a level of THC that is above the limit with a crop that has a lower level of THC allows a grower who is not a bad actor the opportunity to remedy the situation.

[1:52:54 PM](#)

SENATOR STEVENS removed his objection.

CHAIR COSTELLO found no further objection and Amendment 1 to SB 27 was adopted. She asked the sponsor and staff to walk through the amended bill.

[1:53:18 PM](#)

SENATOR HUGHES recounted the history of the bill. A federal farm bill passed in 2014 that allowed states to start an industrial hemp pilot program. Former Senator Johnny Ellis subsequently introduced legislation to remove hemp from the criminal statutes and identify it as a crop.

She related that late in the 2016 session one of her most conservative constituents said he wanted to try industrial hemp as food stock for his cattle. She committed to carry the bill after Senator Ellis retired and the US Department of Agriculture (USDA) established a path for states to have an industrial hemp program that would comply with the law. In 2017, she filed

Senate Bill 6 and it passed in April 2018. In December 2018, Congress passed the Hemp Farming Act as part of the 2018 Farm Act, which removed industrial hemp from the Schedule I Controlled Substance list. In 2019, the USDA released new regulations that allowed states to continue their pilot programs until October 2020. The USDA subsequently extended the date to October 2021.

SENATOR HUGHES said that because of the federal changes since 2018, Alaska has to change its statutes. SB 27 is the response, and it primarily removes the industrial hemp pilot program and directs the Department of Natural Resources (DNR) to develop a compliant program and submit it to the USDA for approval. The bill also gives DNR the authority to permit the manufacture of hemp products and to set up a registration and renewal process to participate in the program. It also says that registrants cannot have a controlled substance felony conviction in the last 10 years.

She shared that her preference would have been that growing industrial hemp required no bureaucracy, but the extra framework is necessary because of concerns at the federal level that the plant looks like marijuana. Nevertheless, she said it is still worth doing because hemp is a multibillion-dollar industry. Canada is the second largest hemp producer in the world and Alaska's climate is similar so this could help Alaska businesses and the economy. She advocated for updating the statute and opening the door for this opportunity.

1:59:06 PM

SENATOR GRAY-JACKSON asked if a hemp plant is the same as a marijuana plant.

SENATOR HUGHES said Rob Carter can explain in detail, but hemp has less THC and is not psychoactive.

SENATOR GRAY-JACKSON questioned whether they were the same species.

SENATOR HUGHES suggested that Rob Carter could provide the botanist's explanation.

CHAIR COSTELLO solicited the will of the committee to hear the sectional analysis of SB 27 or a botanical analysis of the difference between industrial hemp and recreational cannabis.

SENATOR STEVENS asked to hear from Rob Carter.

[2:00:53 PM](#)

ROB CARTER, Chief Agronomist, Division of Agriculture, Department of Natural Resources (DNR) Palmer, Alaska, explained that industrial hemp is Cannabis sativa, which is the same genus and species as recreational cannabis/marijuana. The two plants can look similar but industrial hemp traditionally grows in a solid stand like a barley or wheat. Industrial hemp that is grown for cannabinoid production may look more similar to marijuana, whereas it will look more like an extremely tall stand of corn, barley, or wheat when grown for fiber, grain or biomass for feed or fuel. The leaves look the same but there is significantly more fibrous material inside the hemp plant. The methodology to produce the hemp plant creates an upright leaner look than in the typical marijuana plant that is grown indoors. Marijuana plants are grown specifically for the floral material whereas plants grown for fiber or biomass production are harvested before the flower appears.

SENATOR STEVENS asked if it is legal to grow marijuana in Alaska.

MR. CARTER replied that the Alcohol & Marijuana Control Board regulates all aspects of the growth and production of recreational marijuana. The 2014 Farm Bill identified industrial hemp or cannabis that tests below 0.3 percent delta-9-THC as an industrial agriculture crop. He said the Division of Agriculture treats these crops much like regulated potato or barley crops, which are called certified non-grass grain seeds.

SENATOR STEVENS summarized his understanding that industrial hemp and marijuana are not the same thing and not controlled in the same way.

CHAIR COSTELLO asked Mr. Whitt to go through the sectional analysis for SB 27. She also listed the individuals available to answer questions.

[2:05:22 PM](#)

MR. WHITT presented the following sectional analysis for SB 27:

Section 1 - AS 03.05.010(a) - Page 1, Line 3 through Page 3, Line 8

Two subsections added to this section authorizing the commissioner of the Department of Natural Resources to include the manufacturing and retail sales of products made from industrial hemp, as well as registration and

renewal procedures, in the regulations for the industrial hemp program.

[2:06:02 PM](#)

Section 2 - AS 03.05.076(a) - Page 3, Lines 9 through 24

Adds language that a registrant for the industrial hemp program is not eligible if they had been convicted of a felony involving a controlled substance within the last ten years. This section is added to comply with provisions of the 2018 Farm Bill.

MR. WHITT noted that the 2018 Farm Bill and subsequent regulations gave grandfather rights to those growing industrial hemp before the federal requirement. He offered to provide the code of federal regulations (CFR) reference.

Section 3 - AS 03.05.076(i) - Page 3, Lines 25 through 28

Adds that the department may develop an industrial hemp program that complies with federal requirements and submit a plan for the program to USDA for approval.

MR. WHITT added that the state is able to continue running the pilot program until the permanent hemp production program is in place.

Section 4 - AS 03.05.079 - Page 3, Line 29 through Page 4, Line 4

A grower may retain and recondition their crop if it tests above .3% but below 1.0% THC.

MR. WHITT explained that Sections 4 and 5 work in conjunction with Amendment 1. Section 4 removes the automatic violation and allows a grower who tests above 0.3 percent THC but below 1.0 percent THC the opportunity to recondition their crop. Section 5 authorizes the Division of Agriculture to issue a violation if a bad faith grower fails to recondition their crop that tests above the 0.3 percent threshold for THC.

[2:09:14 PM](#)

SENATOR STEVENS asked what it means to recondition a crop.

MR. WHITT deferred the question to Mr. Carter.

MR. CARTER explained that reconditioning is a commonly used process in agriculture to allow a farmer to blend crops when the seed or, in this case, the industrial hemp tests as borderline in violation of a regulation. Reconditioning prevents a farmer from having to destroy their crop when it tests too high.

[2:10:52 PM](#)

SENATOR REVAK joined the meeting.

SENATOR STEVENS observed that farmers who grow industrial hemp are subject to many more requirements than a farmer who grows crops such as wheat or corn. "Aren't we asking a lot more of the farmers than we would if they were just doing wheat," he asked.

MR. CARTER answered yes; the 2014 and 2018 farm bills have specific federal requirements that provide a sense of security to those who do not understand the botanical difference between industrial hemp and recreational cannabis because they are the same genus and species. He advised that farmers who produce certified potatoes or grow certified wheat crops also are required to meet specific requirements and are subject to similarly rigorous testing. He added that industrial hemp was produced in the state last year and the division is committed to providing a legal avenue for this new industry.

SENATOR STEVENS expressed appreciation for the explanation.

CHAIR COSTELLO asked if the bill has a mechanism to handle repeat violations or if the assumption is that there are no intentional violators.

MR. WHITT said the division can speak in detail, but the testing so far has been positive and there is no evidence to indicate that bad actors will be a problem. He added that he believes it is a big help for the state to have the USDA stamp of approval on the industrial hemp program and it comes at the cost of specific statutory guidelines.

Responding to Senator Stevens, he agreed that the regulatory and statutory requirements are greater for a hemp producer than many other crops, but those do not have the potential for high THC. He characterized the additional guidelines as appropriate.

[2:15:31 PM](#)

CHAIR COSTELLO asked Mr. Carter what industrial hemp products have been produced and if some of the products will be exported.

MR. CARTER replied that farmers produced 70 acres of industrial hemp in 2020, 9,000 square feet of which was indoors. To ensure compliance and safety, the division physically samples each field lot and all the tests returned values of less than half the federal legal limit for THC, which was better than any other state in the country.

MR. CARTER said Alaska is renowned for its clean water and soil and the expectation is that these products will be exported worldwide for industrial hemp derivatives. In the trial year the division has seen interest in grain for human and animal consumption; fiber for biomass for experimental fuel sources, hempcrete, insulation, fiber bond, and bioplastics; as well as extraction for non-psychoactive cannabinoid uses for things like shampoos, salves, and lotions. In 2020, the industrial hemp industry totaled about \$20 billion. He described industrial hemp as a unique crop that has generated massive interest for an endless number of uses.

[2:19:35 PM](#)

MR. WHITT continued the sectional analysis for SB 27.

Section 5 - AS 03.05.079(b) - Page 4, Lines 5 through 7

A new subsection adds that a person who retains but fails to recondition is guilty of a violation.

Section 6 - AS 03.05.100(5) - Page 4, Lines 8 through 14

Changes the statutory definition of industrial hemp to match the federal definition which was changed in the 2018 Farm Bill.

Section 7 - Page 4, Line 15

Repeals AS 03.05.077 the Industrial Hemp Pilot Program

Section 8 - Page 4, Lines 16 through 21

Conditional effect for Section 7 of the bill, in that the Pilot Program statute is repealed when the Industrial Hemp Program developed by the department is approved by the USDA.

Section 9 - Page 4, Lines 25 through 27

Effective date language stating that if section 7 is repealed under the conditions of section 8, the effective date of section 7 is the day after notice is

received by the revisor of statutes by the Commissioner of Natural Resources.

MR. WHITT summarized that Sections 7-9 allow the Division of Agriculture to continue the Industrial Hemp Pilot Program until the USDA approves DNR's permanent Industrial Hemp Program.

CHAIR COSTELLO asked Ms. Williams to provide her testimony.

2:22:42 PM

SARA WILLIAMS, Founder, Hemp for Healthcare, Wasilla, Alaska, stated support for 99 percent of SB 27. She did not support the new language in Section 2 that prohibits individuals who have a controlled substance felony conviction within the preceding 10 years from contributing to the economy of Alaska by participating in the industrial hemp program. She advised that she submitted language that creates a compromise to this prohibitive language.

MS. WILLIAMS described her vision for an Alaskan hemp industry that fuels the economy. This includes taxing the hemp biomass sales and selling the hemp products statewide. The proceeds will go into a healthcare fund that creates a single payer healthcare system for all Alaska residents.

She also spoke of new partnerships and anticipated projects that she believes will bring from 20 to 350 new jobs to Alaska that is in addition to the boost to transportation, farmers, and laborers that will grow hemp for processing.

2:30:37 PM

SENATOR STEVENS asked Mr. Whitt if the provision in Section 2 that excludes applicants with a controlled substance felony conviction within the past 10 years is a federal requirement.

MR. WHITT confirmed that it is a federal requirement in 7 CFR Sec. 990.6(e)(1). The USDA will not approve an industrial hemp program in states that do not have that law on the books.

SENATOR STEVENS summarized that while it may be offensive to some people, removing the provision would result in the USDA withholding approval for a program to grow hemp in Alaska.

MR. WHITT replied that was his understanding, but he would get that in writing and present it to the committee.

SENATOR STEVENS replied that would be valuable.

SENATOR HUGHES requested the committee hear from David Schade.

[2:32:45 PM](#)

DAVID SCHADE, Director, Division of Agriculture, expressed appreciation for the work that the sponsor and Mr. Whitt had done to facilitate an industrial hemp program in Alaska. He said he had worked on this since becoming the director two years ago. He related that the pilot program has 117 retail registrations, and it continues to move forward.

Supplementing earlier discussion, he explained that the division has worked hard to stay within the federal guidelines, so they are able to operate their hemp program on a national and international basis. Because the 2018 Farm Bill stipulates that someone with a controlled substance felony in the last 10 years cannot participate in the program, the division requested a one-year delay in the sunset of the pilot program awaiting this change in state law. In response to the question about what happens if there is a bad actor, he explained that because industrial hemp is a regulated crop, applicants must register under the USDA program or the state program. Someone who fails to follow the guidelines will lose their registration and be out of business.

SENATOR STEVENS asked if he agreed that removing Section 2 would put the state out of compliance with the federal government and it would not qualify for a hemp program.

MR. SHADE replied that is correct.

[2:35:57 PM](#)

CHAIR COSTELLO held SB 27 in committee for future consideration.

SB 87-REINSURANCE; CREDITS

[2:36:06 PM](#)

CHAIR COSTELLO announced the consideration of SENATE BILL NO. 87, "An Act relating to credit for reinsurance; and providing for an effective date."

[2:36:35 PM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community, and Economic Development, Juneau, Alaska, explained that the State of Alaska is a member of the National Association of Insurance Commissioners (NAIC), which puts out its own standards of accreditation for insurance companies. As a

member, the Division of Insurance has agreed that when it examines insurance companies such as Alaska National or Umialik that are domiciled in Alaska, it will use the identical standards that other member states use. When Alaska National goes to do business in another state, that director of insurance knows that company has been reviewed identically to the way that they look at the insurance companies domiciled in their state. The savings is that insurance companies that do multistate business are examined by just one state and the results are shared with other member states. For that accreditation, each division of insurance is examined, and its accreditation renewed if the audit shows that the division's examinations meet the NAIC standards.

[2:38:15 PM](#)

MS. WING-HEIER described reinsurance. She explained that companies that sell primary insurance are likely to buy reinsurance behind the primary policy. For example, if State Farm sells homeowners insurance and an earthquake policy, it is likely to reinsure the earthquake peril. What SB 87 does is to look worldwide at where reinsurance is coming from.

MS. WING-HEIER related that the federal government established the Federal Insurance Office after the Dodd-Frank Act passed. That office created the covered agreement, first with the European Union and second with the United Kingdom. Those agreements establish that the NAIC accreditation standards apply in the European Union and the United Kingdom. Thus, when a US company buys reinsurance from a company domiciled in Europe or the United Kingdom, it is clear that the credit standard of those foreign companies is the same as if they were domiciled in the US. Conversely, when US companies sell reinsurance to a European risk, European countries can trust that those US companies are financially solvent and have been examined.

She said the foregoing summary of credit for reinsurance shows how the division looks at the financials of an insurance company to see what it has ceded to a reinsurance company and what it has underwritten and is on their books. This analysis is important to ensure the right ratio and that the insurance company has sufficient capital to pay the claims of the consumers in Alaska.

MS. WING-HEIER reviewed the sections of SB 87.

Section 1: The new paragraph (6) on page 10 lays out what a qualified reinsurer must do to assume the

liabilities of an insurer domiciled in Alaska. The reinsurer must:

- (A) have its head office or be domiciled in a reciprocal jurisdiction;
- (B) have and maintain capital and surplus, or its equivalent, in an amount set out in regulation;
- (C) have and maintain solvency or capital ratio in an amount set out in regulation;
- (D) agree to provide adequate assurances (detailed in the bill) to the Division of Insurance;
- (E) provide documentation the director of insurance might require;
- (F) maintain a practice of prompt payment of claims to the primary insurer; and
- (G) confirm to the director on an annual basis that they are in compliance with Alaska Statutes

Section 2: clarifies compliance set out in paragraph (6) in Section 1.

Section 3: defines a reciprocal jurisdiction for a US company and a non-US company, and that they must meet certain standards to be a reciprocal jurisdiction.

Section 4: adds a new subsection (i) that requires the director to consider the list of reciprocal jurisdictions published by the NAIC. Currently those are Bermuda, the United Kingdom, France, and Germany.

Section 5: allows the director of insurance to develop regulations if needed.

[2:42:31 PM](#)

SENATOR STEVENS commented on the importance of understanding the bill because labor and commerce is the only committee of referral in the Senate.

MS. WING-HEIER confirmed that labor and commerce was the only referral in the Senate.

CHAIR COSTELLO related her comfort based on this being model legislation from the National Association of Insurance Commissioners (NAIC). She asked Ms. Wing-Heier to list the other state legislatures that have passed similar legislation and the effect if a state decides to amend the model law.

MS. WING-HEIER described the process for the NAIC to vet and adopt model legislation as similar to the process a state legislative body follows. She said the NAIC passed the reinsurance model law unanimously in 2017 and to prevent preemption by the federal insurance office, state legislatures must pass their own reinsurance legislation, based on the model, by September 2022. She recalled that Vermont, Pennsylvania, Virginia, Mississippi, and California have adopted the model and Idaho, Kansas, Iowa, New York, Rhode Island, West Virginia, and Florida were considering it in 2020 when the pandemic shut things down.

2:46:46 PM

CHAIR COSTELLO asked Ms. Wing-Heier to make appointments with each member of the committee to answer any lingering questions and send her office the written responses to the questions. She said her staff would visit each office after that to ensure each member is comfortable with the bill. After that, she would schedule a second hearing and take public testimony.

CHAIR COSTELLO asked Ms. Wing-Heier to share how long she has been the director of insurance and her work history prior to that.

MS. WING-HEIER related that she has been the director of insurance since she was hired under then Governor Parnell in 2014. Before that, she was with the Marsh & McLennan Agency for 16 years and the corporate risk manager at Arctic Slope for 10 years.

CHAIR COSTELLO asked if the legislature has passed other bills from the NAIC.

MS. WING-HEIER answered that most of the bills she brings to the legislature are NAIC vetted.

2:48:43 PM

CHAIR COSTELLO held SB 87 in committee for further consideration.

2:49:18 PM

There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 2:49 p.m.